



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

MANAGEMENT ACCOUNTING ASPECTS 4 MAA41-2

SUPPLEMENTARY ASSESSMENT OPPORTUNITY

December 2014

Time: 3 hours

Marks: 100

Assessor: MR K DALY
Internal Moderator: MR R BOERSMA
External Moderator: MR J DE BEER

INSTRUCTIONS:

This paper consists of 7 pages including the cover page.

Answer all questions.

Show all calculations, workings and reasoning clearly.

Silent, non-programmable calculators may be used.

HAND IN THIS QUESTION PAPER.

| Question | Topic | Marks | Time |
|----------|-------------------------|------------|--------------------|
| 1 | Concepts & definitions | 10 | 18 minutes |
| 2 | Labour allocation | 10 | 18 minutes |
| 3 | Labour | 10 | 18 minutes |
| 4 | Inventory valuation | 10 | 18 minutes |
| 5 | Manufacturing overheads | 10 | 18 minutes |
| 6 | CVP analysis | 20 | 36 minutes |
| 7 | Cash budget | 30 | 54 minutes |
| | | 100 | 180 minutes |

Question 1

(10 marks)

Required:

Select the correct answer from the options provided in each of the following: (Write down the number and the correct letter only)

- 1.1 Indirect labour is a part of:
A) Prime cost.
B) Conversion cost.
C) Period cost.
D) Non-manufacturing cost.
- 1.2 The cost of lubricants used to grease a production machine in a manufacturing company is an example of a(n):
A) period cost.
B) direct material cost.
C) indirect material cost.
D) none of the above.
- 1.3 The salary paid to the Chief Executive Officer of Oppong Company Limited would be classified on the income statement as a(n):
A) administrative expense.
B) direct labour cost.
C) manufacturing overhead cost.
D) selling expense.
- 1.4 Prime cost consists of:
A) direct labour and manufacturing overhead.
B) direct materials and manufacturing overhead.
C) direct materials and direct labour.
D) direct materials, direct labour and manufacturing overhead.
- 1.5 Wages paid to a timekeeper in a factory are a:
- | | Prime cost | Conversion cost |
|----|------------|-----------------|
| A) | Yes | No |
| B) | Yes | Yes |
| C) | No | No |
| D) | No | Yes |
- 1.6 Depreciation on a personal computer used in the marketing department of a manufacturing firm would be classified as:
A) a product cost that is fixed with respect to the company's output.
B) a period cost that is fixed with respect to the company's output.
C) a product cost that is variable with respect to the company's output.
D) a period cost that is variable with respect to the company's output.

Question 1 (continued)

- 1.7 When manufacturing overhead is applied to production, it is added to:
- the Cost of Goods Sold account.
 - the Raw Materials account.
 - the Work in Process account.
 - the Finished Goods inventory account.
- 1.8 On the Schedule of Cost of Goods Manufactured, the final Cost of Goods Manufactured figure represents:
- the amount of cost charged to Work in Process during the period.
 - the amount of cost transferred from Finished Goods to Cost of Goods Sold during the period.
 - the amount of cost placed into production during the period.
 - the amount of cost of goods completed during the current year whether they were started before or during the current year.
- 1.9 Over applied overhead means that:
- the applied overhead cost was less than the actual overhead cost.
 - the applied overhead cost was greater than the actual overhead cost.
 - the estimated overhead cost was less than the actual overhead cost.
 - the estimated overhead cost was less than the applied overhead cost.
- 1.10 When preparing a production budget, the required production equals:
- budgeted sales + beginning inventory + desired ending inventory.
 - budgeted sales - beginning inventory + desired ending inventory.
 - budgeted sales - beginning inventory - desired ending inventory.
 - budgeted sales + beginning inventory - desired ending inventory.

(10 marks)**Question 2****(10 marks)**

Tulani is an employee of Inalut Ltd. The following information was presented to you, so that you can help process it for the company:

- | | |
|-------------------------|---|
| ▪ Number of weeks | 52 |
| ▪ Holidays | 3 weeks |
| ▪ Public holidays | 6 days |
| ▪ Sick leave | 5 days |
| ▪ Idle time | 15 % |
| ▪ Normal pay | R 108 000 per year |
| ▪ Pension fund | 15 % in total - ratio of 60: 40, Employee : Employer. |
| ▪ Medical Aid fund | 10 % in total – ratio is same as for pension fund. |
| ▪ Holiday bonus | 1/12 of normal pay. |
| ▪ Normal hours per week | 40 hours |

Question 2 (continued)**Required:**

Calculate the labour recovery rate (tariff) per hour.

(10 marks)

Question 3

(10 marks)

The following information applies to Mr Hadebe, an employee at a manufacturing enterprise. He is paid on a weekly basis.

Normal hourly wages R60

All the employees work 6 days, 45 hours per week as follows:

Monday – Friday : 8 hours per day

Saturday : 5 hours

Normal overtime = Normal rate plus 50%

Sundays and public holidays = Double the normal rate

DEDUCTIONS:

Pension fund

Employees contribution 6,5%

Employer's contribution 7,5%

Medical fund

Employees contribution 6%

Employer's contribution 8%

Taxation : 15% of taxable income

Union fees R12 per week

Transport allowance R90 per week

UIF : Employee 1%

Employer 1%

Mr Tyson worked the following hours for the past week:

| Mon | Tues | Wed | Thurs | Fri | Sat | Sun |
|-----|------|-----|--------------------------|-----|-----|-----|
| 8 | 10 | 8 | 4 (Public Holiday) | 9 | 7 | 3 |

Required:

Calculate the net wage for Mr Hadebe for the week.

(10 marks)

Question 4

(10 marks)

Bubbles Wholesalers sells candles to retailers at a price of R6.50 per unit.

The following candles stock ledger card has been prepared for July. Unfortunately the stores clerk did not enter all the relevant information.

Required:

- (A) Complete the stock card using the **WEIGHTED AVERAGE METHOD** of stock valuation.

(Only write down the letter with the correct amount next to it on your answer book. Do **NOT** draw up a stock ledger card!)

| Date | RECEIPTS | | | SALES | | | BALANCE | | |
|--------|----------|------------|--------|-------|------------|--------|---------|------------|-------|
| | Units | Unit price | Total | Units | Unit price | Total | Units | Unit price | Total |
| July 1 | Balance | | | | | | 100 | (a) | R200 |
| 4 | (b) | (c) | R600 | | | | 300 | (d) | (e) |
| 9 | (50) | R2 | (R100) | | | | (f) | (g) | R700 |
| 16 | | | | 220 | ? | R616 | (h) | ? | (i) |
| 21 | | | | (j) | ? | (R168) | 90 | R1,80 | R252 |
| 29 | 150 | (k) | R480 | | | | (l) | (m) | (n) |

(7 marks)

- (B) Determine the Total Sales amount, Cost of Sales amount as well as the Gross Profit for candles sold during July.

(Present your answer in the format as set out below)

| | |
|--------------------|--|
| SALES | R..... |
| Less COST OF SALES | R..... |
| GROSS PROFIT | <div style="border: 1px solid black; display: inline-block; width: 80px; height: 20px; vertical-align: middle;"></div> |

(3 marks)

(10 marks)

Question 5

(10 marks)

The management accountant of The Lonsdale Hotel provides the following occupancy figures for the holiday period that extends from June to December of each year (both inclusive) :

| Month | number of guests per month | mixed costs (R) |
|-----------|----------------------------|-----------------|
| June | 172 | 69 564 |
| July | 240 | 70 380 |
| August | 180 | 69 660 |
| September | 215 | 70 080 |
| October | 315 | 71 280 |
| November | 475 | 72 000 |
| December | 520 | 73 740 |

Required:

Calculate the fixed and variable cost component (for each month) of mixed costs by using the **high-low method**. (10 marks)

Question 6

(20 marks)

Bogey Manufacturing has the following supplied the following information:

Marginal profit or loss statement for the year ended 31 December 2014

| | R (‘000) |
|--|--------------|
| Sales (600 000 units @ R40each) | 24 000 |
| Variable costs of goods sold (600 000 @ R24) | 14 400 |
| Manufacturing profit | 9 600 |
| Variable selling costs (600 000 @ R2.40) | 1 440 |
| Marginal income | 8 160 |
| Fixed costs | 3 536 |
| Manufacturing costs | 2 160 |
| Selling cost | 500 |
| Administration Costs | 876 |
| Net profit | 4 624 |

Required:

- 6.1 Calculate the enterprise's break-even quantity in units and the sales value for 2014. (7 marks)
- 6.2 What is the enterprise's safety margin based on the income statement as it stands. (3 marks)
- 6.3 Calculate the break-even point for 2015 if the fixed cost of the enterprise increases by R384 000 in order that the variable costs decrease by R0, 40 cents per unit. (10 marks)

(20 marks)

Question 7

(30 marks)

The following information was extracted from the records of KashKing (Pty) Ltd:

| | October | November | December |
|----------------------|---------|----------|----------|
| | R | R | R |
| Sales (60% cash) | 900 000 | 800 000 | 750 000 |
| Purchases (20% cash) | 400 000 | 440 000 | 500 000 |
| Salaries and wages | 160 000 | 150 000 | 300 000 |
| Overhead expenses | 170 000 | 160 000 | 180 000 |

Additional information:

- The opening bank balance on 1 October 2014 is expected to be an overdraft of R45 000.
- Credit sales are collected as follows:
 - 60% in the month following the month of sale;
 - 35% in the 2nd month following the month of sale.
 - 5% will prove to be bad.
- Credit sales were R450 000 in August and R500 000 in September 2014.
- Credit purchases are paid in the month following purchase less a 2% discount.
- Creditors for purchases at 1 October 2014 are for September purchases of R210 000.
- Overhead expenses include a monthly depreciation charge of R18 000. Overhead expenses are paid in the month following the month in which they are incurred.
- Creditors for overhead expenses at 1 October 2014 are:
 - for September overheads: R105 000.
- A provisional tax payment of R85 000 must be made at the end of December 2014.
- A new vehicle will be bought in October 2014 for R400 000. A deposit of R90 000 will be paid in October. Monthly instalments of R7 000 must be paid for 36 months from the end of October 2014.
- A dividend of R25 000 from shares in another company will be received in November 2014.

Required:

Prepare a cash budget for October, November and December 2014.

(30 marks)

[100 marks]

END OF PAPER